

Message Text

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ACTION SS-25

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R 040415Z MAR 75

FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 2389

INFO AMEMBASSY ABU DHABI

AMEMBASSY DOHA

USINT BAGHDAD

AMEMBASSY JIDDA

AMEMBASSY KHARTOUM

AMEMBASSY MUSCAT

AMEMBASSY TEHRAN

S E C R E T KUWAIT 0992

EXDIS

E.O. 11652: GDS

TAGS: ENRG

SUBJ: CONSULTATIONS WITH GULF OIL PRODUCERS

REF: STATE 45225

SUMMARY: MIN OF FINANCE ATEEQI, WITH WHOM AMBASSADOR DISCUSSED CONSUMER/PRODUCER (C/P) CONFERENCE, COMPLAINED OF USG STATEMENTS ANTAGONISTIC TO ARABS AND ASKED WHY USG TAKING LEAD APPARENTLY TO ORGANIZE CONSUMERS AGAINST PRODUCERS. IN ABSENCE OF "FAIR" ARRANGEMENTS, HE THOUGHT CAPITAL-RICH PRODUCERS MIGHT MAKE DRASTIC FURTHER CUTS IN OIL PRODUCTION WHICH HE CONCEDED COULD HAVE DISASTROUS CONSEQUENCES. HE PLEADED FOR AMERICAN "FAIRNESS", AND ASSERTED BEST ROUTE TO PROPER PRODUCTION AND PRICE LEVELS FOR OIL WAS SOLUTION TO CRITICAL POLITICAL PROBLEMS AND MUTUAL TACKLING OF ECONOMIC PROBLEMS RATHER THAN FORMAL AGREEMENTS ON LONG TERM MARKETING IN RETURN FOR PEGGED PRICES. AMBASSADOR STRONGLY EMPHASIZED US DESIRE ACHIEVE POSITIVE RESULTS AT ANY C/P CONFERENCE. ATEEQI LISTED PRICE INDEXING, AID TO POOR COUNTRIES, STABILITY OF CURRENCY VALUES, AND APPROACHES TO ORDERLY GROWTH OF WORLD'S ECONOMY AS ITEMS FOR C/P AGENDA.

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END SUMMARY.

1. REFERENCE INSTRUCTIONS NOT RECEIVED IN TIME TO AGAIN REVIEW
USG POSITION ON CONSUMER/PRODUCER (C/P) CONFERENCE WITH EITHER
MIN OF OIL KAZEMI OR FONMIN SABAH AL-AHMAD BOTH OF WHOM HAD
ALREADY DEPARTED KUWAIT WITH THEIR STAFFS FOR OPEC MEETINGS.
IN ANY CASE WE ARE WELL COVERED AS FAR AS GOK IS CONCERNED SINCE,
AS DEPT KNOWS (KUWAIT 795), UNDERSEC ROBINSON DISCUSSED WHOLE
SUBJECT THOROUGHLY WITH KAZEMI, SABAH AL-AHMAD AND OTHER KEY
KUWAITIS WHEN HE WAS HERE FEB 17.

2. NEVERTHELESS, WITH AMIR NOT LEAVING FOR ALGIERS SUMMIT UNTIL
MARCH 3, I ASKED TO SEE MIN OF FINANCE ATEEQI MARCH 2. TO HIM
I CONVEYED POINTS IN REFTEL AND REVIEWED UNDERSEC ROBINSON'S
PRESENTATIONS LAST MONTH IN KUWAIT.

3. ATEEQI REPLIED HE WAS SORRY HE HAD UNAVOIDABLY MISSED UNDERSEC
ROBINSON WHO, HE SAID, HAD CONVINCED HIS KUWAITI LISTENERS
OF HIS OWN SINCERITY. ROBINSON'S COOPERATIVE, POSITIVE APPROACH
WAS IN CONTRAST TO CONTINUING SPATE OF PUBLIC USG STATEMENTS
ANTAGONISTIC TO ARABS. ARAB BOYCOTT, FOR EXAMPLE, WAS NOTHING
NEW. WHY ALL THE FUROR NOW? WAS IT BECAUSE ARAB MONEY WAS NOW
IN GREAT DEMAND AND THEREFORE ARAB POLICIES MORE NOTICEABLE
THAN BEFORE? US ITSELF PARTICIPATED IN BOYCOTTS WHEN IT WAS IN
HER NATIONAL INTEREST TO DO SO. ARABS NOT FIGHTING JEWS BUT
ISRAELIS. WHEN IT NO LONGER NECESSARY TO FIGHT, ARABS WOULD STOP.
ARABS OBVIOUSLY HAD TO SELL THEIR OIL SOMEWHERE AND WANTED
STABLE CONDITIONS UNDER WHICH TO DO SO. IMPOSING EMBARGOS,
CUTTING PRODUCTION, AND HURTING CONSUMERS IN THE PROCESS, WERE
NOT IN LONG RUN INTEREST OF PRODUCERS EITHER. THEY WERE WEAPONS
THAT WOULD BE DROPPED WHEN NECESSITY FOR THEM CEASED TO EXIST.

4. ATEEQI ASKED WHY USG INSISTED ON TAKING THE LEAD APPARENTLY
TO ORGANIZE CONSUMERS AGAINST PRODUCERS. US, THE COUNTRY LEAST
AFFECTED BY ENERGY CRISIS, WAS TAKING MEASURES SUCH AS TARIFF
BARRIERS AGAINST FOREIGN OIL AND PRESSING EUROPEANS TO TAKE
ACTIONS NOT IN EUROPE'S OWN INTEREST. THE PRICE OF OIL WAS
NOT GOING TO COME DOWN -- NOT MUCH ANYWAY -- AND IF CONSUMERS,
PRODUCERS AND OTHERS COULD NOT AGREE ON FAIR ARRANGEMENTS,
PRODUCERS WOULD HAVE TO CUT PRODUCTION EVEN MORE THAN THEY HAD
ALREADY. WITHOUT ASSURANCES ON VALUE OF THE DOLLAR, COOPERATION
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IN INVESTMENTS, AND SO ON, WHAT INCENTIVE WOULD CAPITAL RICH
COUNTRIES LIKE SAUDI ARABIA AND KUWAIT HAVE TO DO OTHERWISE?
MORE PRODUCTION CUTBACKS WOULD MEAN WORSENING INDUSTRIAL CONDITIONS
IN EUROPE AND AROUND THE WORLD AND THEN, IF CUTBACKS DRASTIC
ENOUGH, NEW PRICE HIKES. THIS KIND OF CRUNCH COULD BE CATAS-
TROPIC FOR EVERYONE.

5. ATEEQI SAID HE HAD "FOUGHT FOR EIGHT YEARS" TO MAINTAIN HIGH

LEVEL OF KUWAITI PRODUCTION. HE PERSONALLY BELIEVED, HE SAID, THAT KUWAITI PRODUCTION SHOULD NOT RPT NOT BE ALLOWED FALL BELOW TWO MILLION BPD. FOR HIS EFFORTS, ATEEQI SAID, HE HAD BEEN UNDER CONSTANT AND HEAVY CRITICISM FROM FELLOW KUWAITIS, AND HIS VIEWS WOULD BE TOTALLY DISCREDITED AFTER ALL THIS TIME UNLESS KUWAIT STOPPED SELLING OIL FOR DEVALUING CURRENCY AND WAS ABLE TO STEP UP STANDARD AND SCALE OF INVESTMENTS WITH PROCEEDS FROM OIL SOLD. ATEEQI PLEADED AGAIN FOR AMERICAN "FAIRNESS". HE SAID HE OPPOSED IDEA OF LONG-TERM OIL MARKETS IN RETURN FOR LONG-TERM PRICE ASSURANCES. SOLVING CRITICAL POLITICAL PROBLEMS AND SINCERE EFFORT WORK OUT ECONOMIC PROBLEMS OF ALL CONCERNED, THUS CREATING BEST CLIMATE IN THE MARKET PLACES, WAS BEST ROUTE TO PROPER PRODUCTION AND PRICE LEVELS, ATEEQI MAINTAINED. INCIDENTALLY, HE ADDED, US WOULD FIND FORTHCOMING OPEC DECLARATION REASONABLE AND MODERATE.

6. I OBSERVED MUCH OF WHAT HE SAID WAS ARGUABLE -- AND HE VERY FAMILIAR WITH THE ARGUMENTS. IF US BEING NOISY, ARABS CERTAINLY BEING AT LEAST AS NOISY FOR THEIR OWN PURPOSES. FACT REMAINED USG TRYING TO GET SOMETHING DONE AND IF ATEEQI WISHED TO CONSIDER USG SELFISH, HE SHOULD AT LEAST UNDERSTAND SUCH SELFISHNESS INCLUDED FULL AWARENESS THAT IF US DID NOT TAKE ACCOUNT OF INTERESTS OF REST OF WORLD, WE WOULD ULTIMATELY FINISH OURSELVES OFF AS WELL. AL "NOISE" ASIDE, WHAT DID ATEEQI THINK SHOULD BE DEALT WITH AT C/P CONFERENCE? ATEEQI TOOK THE POINT. HE LISTED PRICE INDEXING, DISCUSSION OF OTHER COMMODITIES IN ADDITION TO OIL, PROBLEM OF AID TO POORER COUNTRIES, STABILITY OF CURRENCY VALUES, AND APPROACHES TO ORDERLY GROWTH OF WORLD'S ECONOMY GENERALLY AS ITEMS FOR THE AGENDA.

7. I TILD ATEEQI I WOULD REPORT HIS VIEWS AND WOULD BE INTERESTED IN ANYTHING FURTHER HE HAD TO TO SAY OVER COMING WEEKS. ATEEQI SAID HE CONTINUED TO BE KEENLY INTERESTED IN US AND KUWAITI
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PROJECT ACTIVITY IN THIRD COUNTRIES, PARTICULARLY EGYPT AND SUDAN -- EITHER THROUGH EXCHANGE OF INFORMATION ON ACTIVITIES EACH WAS UNDERTAKING SEPARATELY OR IN FORM JOINT VENTURES. I SAID THAT, AS HE KNEW, WE ALSO WANTED COOPERATE WITH KUWAIT IN THIRD COUNTRIES, AND I WOULD FOLLOW UP ON THIS SUBJECT.
STOLTZFUS

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